

USPS-R2013-1/2
Standard Mail Cap Compliance

I. PREFACE

The overall percentage increase for Standard Mail is 2.541 percent. USPS R2013-1/2 contains the workpapers which demonstrate that the percentage change in Standard Mail prices complies with the Available Rate Change Authority. It consists of this summary document, and two sets of Excel workpapers described in detail below. **The revisions of November 9, 2012 are described at the end of this Preface.**

II. ORGANIZATION

A. Overview of the Workpapers

The Standard Mail workpapers consist of two Excel workbooks, CAPCALC-STD-R2013.xls, that performs the revenue calculations required to determine the overall average price increase for Standard Mail resulting from the prices in this filing and Mail to Mobile Promotions-STD-R2013.xls, which calculates the dollar amount of the revenue forgone resulting from mail to mobile promotions based on actual historical volume data.

The workbook, CAPCALC-STD-R2013.xls, takes the FY 2011Q4-FY 2012Q3 billing determinants volume weights and, using current and new prices, develops the total Standard Mail revenues at current and new prices. The details of these calculations are described in subsection (B), below, and in the first worksheet in CAPCALC-STD-R2013.xls, titled "Description," which provides references to specific worksheets in the workbook. The last worksheet in CAPCALC-STD-R2013.xls performs the price change calculation for Standard Mail, showing that the overall price change is below the cap. It also calculates the Banked authority for Standard Mail resulting from the filing.

B. The Revenue Calculations

The adjusted billing determinants are used to calculate the price increase for Standard Mail in workbook CAPCALC-STD-R2013.xls. The data and calculations are described in the first worksheet "Description" and in the individual worksheets. The volumes used for the revenue calculations are taken from the FY 2011Q4-FY 2012Q3 Standard Mail billing determinants and are shown in worksheets "L-F-P Com. Cap Weights," "L-F-P NP Cap Weights," "Parcels-Regular Samples Wts," "HD-Sat-CR Com. Cap Wts.," "HD-Sat-CR NP Cap Wts," and "Parcels-NP Samples Wts." As described in the "Description" worksheet, the billing determinants were adjusted to (i) reflect the new Simple

Samples pricing structure, and (ii) introduction of High Density Plus price tier for letters and flats in High Density and Saturation Letters and High Density and Saturation Flats.

The prices are the current Standard Mail prices from the MCS rate schedules and the new prices set forth in Attachment A to the Postal Service's Notice of Market-Dominant Rate Adjustment. The revenue calculations are presented in the four worksheets: "LFP Revenue@Current Prices," "LFP Revenue@New Prices," "HD-Sat-CR Revenue@Curr. Prices," and "HD-Sat-CR Revenue@New Prices." The final revenue calculation and percentage price increase for Standard Mail as a whole is presented in worksheet "Price Change Summary," which also contains the calculation of Banked authority and the average revenue calculation for all commercial and all nonprofit Standard Mail, showing that the new prices meet the 60 percent ratio requirement.

The second workbook Mail to Mobile Promotions-STD-R2013.xls calculates the revenue forgone from these promotions. The data and calculations are described in the first worksheet "Description" and in the individual worksheets. The volumes used for the promotions calculations are taken from the 2011 Mobile Barcode Promotion Program Data Collection Report, at 2 (Nov. 25, 2011) and are shown in worksheet "Promotions Data." The LFP tabs highlighted in purple calculate the total revenue forgone for Letters, Flats, and Parcels; the HD SAT CR tabs in green calculate the revenue forgone for HD/SAT/CR. The methodology is the same for both sets of worksheets: Letters, Flats, Parcels worksheets and High Density Letters, High Density Flats and Parcels and Carrier Route worksheets.

The first two worksheets "Total Vol Comm" and "Total Vol NP" show the volumes taken from the FY 2011Q4-FY 2012Q3 Standard Mail billing determinants. Then the historical volume in worksheet "Promotions Data" was used to distribute this volume to appropriate rate cells. This is shown in worksheet "Promotional Vol Comm" and "Promotional Vol NP." Then promotional revenue is calculated by multiplying the promotional volume and the promotional price in worksheets "Promotional Comm Revenue" and "Promotional NP Revenue."

In addition, promotional volume is multiplied with R2013 price to calculate the promotional revenue had this volume paid R2013 price. This is shown in worksheets "Prom Comm Revenue R2013" and "Prom NP Revenue R2013." Finally, revenue forgone is calculated by subtracting promotional revenue using the promotional price from promotional revenue that pays R2013 price. These amounts are shown in worksheets "Revenue Forgone Comm" and "Revenue Forgone NP."

The calculated revenue forgone amounts in worksheets "Revenue Forgone Comm LFP," "Revenue Forgone NP LFP," "Revenue Forgone Comm HD SAT CR," and "Revenue Forgone NP HD SAT CR" are used in the CAPCALC-STD-R2013.xls file in worksheets "LFP Revenue@New Prices" and "HD-Sat-CR

Revenue@New Prices.” These amounts are added to the Total Revenue of Standard Mail.

In addition to the mail to mobile promotions, a second type of promotion is being added to the total in the CAPCALC-STD-R2013.xls workbook. This is the Earned Value Reply Mail promotion. The eligible volume is provided in “Derivation of Volumes for Earned Value Reply Promotion” – UPS-LR-R2013-1/6. The eligible volume is multiplied by the proposed per-piece postage credit to derive the forgone revenue for this promotion.

REVISIONS OF NOVEMBER 9, 2012

As a result of Chairman’s Information Request No. 1, Question 3a, and Chairman’s Information Request No. 3, Question 4, the Postal Service has corrected errors in the Mail to Mobile Promotions-STD-R2013 and CAPCALC-STD-R2012.xls workpapers for Standard Mail. The corrections change the total amount of revenue forgone for Standard Mail. These changes are described below and are highlighted in both workpapers.

1. As a result of Chairman’s Information Request No. 1, Question 3, promotional pieces and pounds are re-calculated based on the ratio of promotional product pieces to total product pieces in workpaper Mail to Mobile Promotions-STD-R2013_Errata.xls. The commercial and nonprofit Letters and Flats distribution have changed, affecting cells D2 and D3 in worksheet “Promotional Vol Comm LFP” and cells D2 and D3 in worksheet “Promotional Vol NP LFP”. The commercial and nonprofit High Density and Saturation letters, High Density and Saturation letters and flats, and Carrier Route distribution have changed, affecting cells E2 – E4 in worksheets “Promotional Vol Comm HD SAT CR” and “Promotional Vol NP HD SAT CR.”
2. The re-calculation of the Letters and Flats product distribution, as described above, affected the calculation of the promotional volume for both commercial and nonprofit Letters and Flats in worksheets “Promotional Vol Comm LFP” and “Promotional Vol NP LFP”. Also, the re-calculation of the High Density and Saturation Letters, High Density and Saturation Flats and Parcels, and Carrier Route product distribution affected the calculation of the promotional volume for both commercial and nonprofit High Density and Saturation Letters, High Density and Saturation Flats and Parcels and Carrier Route in worksheets “Promotional Vol Comm HD SAT CR”, and “Promotional Vol Comm HD SAT CR”.
3. The updated promotional volume for each product affected the calculation of the promotional revenue in worksheets “Promotional Comm Revenue LFP”, “Promotional NP Revenue LFP”, “Prom Comm Revenue LFP

R2013”, “Prom NP Revenue LFP R2013”, “Promotional Vol Comm HD SAT CR”, “Promotional Vol NP HD SAT CR”, “Promotional Rev. Comm HD SAT CR”, “Promotional Rev. NP HD SAT CR”, “Prom Rev. Comm HD SA R2013”, and “Prom Rev. NP HD SA R2013.”

4. As a result of Chairman’s Information Request No. 3, Question 4, the revenue forgone is re-calculated to include the revenue forgone from pound-rated pounds. This change affected the calculation of revenue forgone in worksheets “Revenue Forgone Comm LFP”, “Revenue Forgone NP LFP”, “Revenue Forgone Comm HD SAT CR” and “Revenue Forgone NP HD SAT CR.” The re-calculated total revenue forgone was updated in workpaper CAPCALC-STD-R2013 in cells D145 in worksheet “LFP Revenue@New Prices” and E117 in worksheet “HD-Sat-CR Revenue@New Prices”. In addition, the total adjusted revenue was affected: cells D147 in “worksheet “LFP Revenue@New Prices” and E118 in worksheet “HD-Sat-CR Revenue@New Prices”.
5. On worksheet “Price Change Summary” cells C6, C7, C13, and C17 were affected.

As a result of Chairman’s Information Request No. 5, Question 7, Carrier Route revenue was re-calculated to include the commercial and nonprofit revenue of Simple Samples. This affected cell E124 in worksheet “HD-Sat-CR Revenue@New Prices.”

In addition, for consistency, the Postal Service includes the IMb Incentive Adjustment and the Move Update Penalty Adjustment in its percent change by product for High Density and Saturation Letters, High Density and Saturation Flats and Parcels, and Carrier Route. These calculations are shown in cells E96 – E98 of worksheet “HD-Sat-CR Revenue@Curr. Prices “, and cells E122 – E124 of worksheet “HD-Sat-CR Revenue@New Prices.” In the past, the Postal Service has noted that it excluded the IMb Incentive Adjustment and Move Update Penalty Adjustment in its calculation of percent change by product for High Density/Saturation and Carrier Route products. But the errata treat these adjustments the same as they are treated for the Letters, Flats, and Parcels products.